

Revolving Loan Section Funding Options and Program Changes



Office of Drinking Water and Municipal Assistance

Revolving Loan Section

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Overview

- RLS Funding Options
- Common Deficiencies
- Recent RLS Program Changes
- WRRDA Details

RLS Funding Options

- Stormwater, Asset Management and Wastewater (SAW)
- Strategic Water Quality Initiatives Fund (SWQIF)
- Drinking Water Revolving Fund (DWRF)
- State Revolving Fund (SRF)



Stormwater Asset Management and Wastewater (SAW)

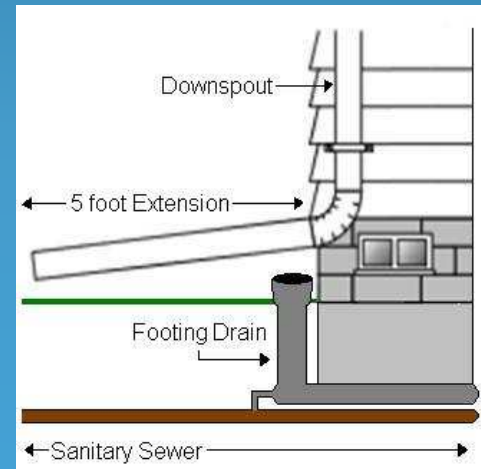
- Dec 2, 2013: 673 applications totaling \$541 million received first day!
- Lottery 'winners' for \$450 million
- First Round – \$97 M (FY14)
 - 92 grants awarded
- Second Round - \$97 M (FY15)
 - 115 grants awarded
- Three loans for \$22.3 M awarded
- Third Round - ????

SAW Loan Applicants	
Oakland-Macomb Interceptor Drain Drainage District	\$10,000,000
City of Detroit	\$10,000,000
<small>Note: All highlighted applicants will receive a portion of the \$97 million available. Applicants that are not highlighted will be funded in the order listed as funds become available. Amounts are subject to change per notification of the applicants.</small>	
SAW Grant Applicants	
Worth Township	\$1,205,163
County of Oakland	\$1,929,167
Macatawa Area Coordinating Council	\$120,631
Kalamazoo County Drain Commissioner	\$76,500
Township of Alpine	\$547,200
City of Mt Pleasant	\$1,996,726
City of Williamston	\$1,312,330
Inter-County Drainage Board for Bear Creek Drain	\$579,600
City of Auburn Hills	\$2,000,000
Ottawa County Water Resources Commissioner	\$260,919
Charter Township of Ironwood	\$279,950
City of Detroit Water and Sewerage Department	\$2,000,000
City of Manistique	\$715,037
City of Sylvan Lake	\$959,386
City of Plymouth	\$360,000
City of Sturgis	\$1,877,424
Monroe County Drain Commissioner	\$560,700
City of Durand	\$672,798
City of East Tawas	\$1,119,049
City of Rockford	\$843,470
Center Line Public Schools	\$19,969
Milk River Intercounty Drain Drainage District	\$1,348,317
Charter Township of Washington	\$947,410
Township of Forsyth	\$195,665
City of Laingsburg	\$709,414
City of Carson City	\$548,058
Western Michigan University	\$516,061
City of Walled Lake	\$603,810
Township of Egelston	\$624,580
City of Allegan	\$939,706
Charlotte Drive Drain, Drain District	\$45,000
City of Allen Park	\$1,999,896
County of Calhoun	\$540,000
Village of Baldwin	\$591,299
Charter Township of Monitor	\$639,000
City of Traverse City	\$2,000,000
City of Linden	\$852,120
City of Benton Harbor	\$1,999,218



Strategic Water Quality Initiatives Fund (SWQIF)

- Allows qualified municipalities to access financing for projects that involve the removal of ground water or storm water from sewer leads and the on site upgrade-replacement of septic systems.
- As of October 1, 2014, the SWQIF program has provided low interest loans for 21 projects, totaling \$24 million.
- Project Plans due July 1



Drinking Water Revolving Fund (DWRF)

- To assist Michigan water suppliers in satisfying the requirements of the Safe Drinking Water Act (SDWA) by providing low-interest loans for the planning, design and construction of waterworks projects.
- 266 projects funded to date, \$816M in loans
- FY2015 fundable range - \$50M
- Project plans due May 1



DWRF Eligible Projects

- Water supply wells and well structures;
- Intake structures and cribs;
- Pumping stations;
- Treatment plants;
- Storage tanks;
- Pipelines and appurtenances;
- Security systems.



State Revolving Fund (SRF)

- Assists qualified local municipalities with the construction of needed water pollution control facilities.
- Projects include wastewater projects and various non-point source pollution projects.
- 527 projects funded to date, \$4.2B in loans
- FY2015 fundable range - \$270M
- Project Plans due July 1



SRF Eligible Projects

- Waste water treatment system improvements
- Collection system improvements
 - Removal of excessive inflow/infiltration
 - Major rehabilitation of sewers
 - Pump station improvements
- Nonpoint source projects
 - Infiltration practices
 - Rain gardens and bioswales
 - Swirl concentrator units
 - “Soft” stream bank stabilization



SRF Eligible

- Funds can also be used for:
 - Planning and design
 - Legal and financial services
 - Acquisition of land
 - Construction costs/bid contracts
 - Reasonable administrative costs

Green Project Reserve

- Principal Forgiveness for “green” projects
 - Energy Efficiency
 - Use of improved technologies and practices to reduce energy consumption,
 - Use energy in a more efficient way
 - Produce/utilize renewable energy
 - Green Infrastructure
 - Environmentally Innovative
 - Water Efficiency

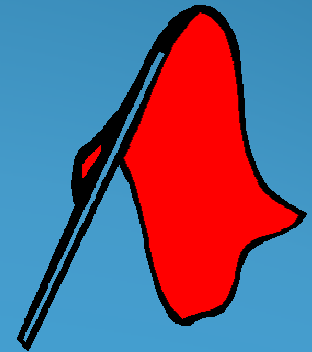


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Common Project Deficiencies

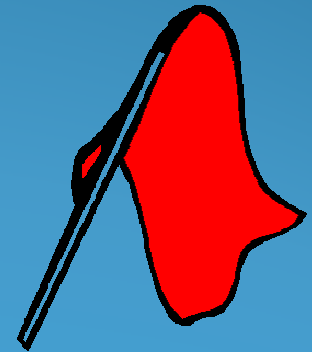
Project Plan Red Flags

- Final project plan received after due date
- Public hearing, 30 day notice of public hearing, transcript and resolution(s)
- Project need
- Cost effective Project Plan



Project Plan Red Flags

- Evaluation of feasible alternatives
- Environmental review and mitigation
- Review from SHPO, MNFI, USFWS, THPO
- Cannot support growth



Common Project Issues

- Milestone schedule
- Notice To Proceed
- Davis-Bacon wage rates
- Disadvantaged Business Enterprise (DBE)
- Amendments and time frames

Program Changes

Disbursement Requests

- Original signatures
 - No longer needed
 - Also applies to RLS Loan Applications Parts I thru III
- Electronic submittals
 - Preferred method for submittal to DEQ
 - Also applies to RLS Loan Applications Part I thru III



American Iron and Steel (AIS)

- Applies to SRF and DWRF projects
- AIS differs from Buy America under ARRA
- All iron and steel products used in the construction of a public water system or treatment works must be produced in the United States
- http://water.epa.gov/grants_funding/aisrequirement.cfm



Waiver Criteria

- American iron and steel is not available in sufficient and reasonably available quantities and of a satisfactory quality
- Use of American iron and steel would increase the total project cost by more than 25 percent
- American iron and steel requirement would be inconsistent with the public interest

Waiver Process

- Municipality submits request with proper and sufficient documentation to RLS
- RLS reviews request for completeness
- RLS sends the complete request to EPA Headquarters
- Requests posted on EPA website for 15-day comment period
- EPA Headquarters makes final determination

AIS Compliance

- AIS language must be included in each contract
- Municipality keeps documentation of compliance
- DEQ will conduct on-site review of documentation during or after construction
- Municipality will receive summary of visit and recommendations for improvement, if needed



Water Resources Reform and Development Act (WRRDA)

Amendments to FWPCA Titles I, II, V and VI

WRRDA

- Signed into law June 10, 2014
 - Federally mandated changes to existing SRF program
1. Architecture & Engineering Services (A/E) Procurement
 2. Fiscal Sustainability Plans (FSP)
 3. Loan Terms and Rates
 4. Affordability Criteria

Architectural/Engineering Procurement

- Applies to all A/E services for SRF projects executed after 10/1/2014

Project Planning
Design
Surveying
Mapping

Engineering
Construction Management
Project Management
Feasibility Studies

- Must be used by all applicants regardless of longstanding relationships with specific A/E firms
- Not required if work is done in-house or not included in SRF loan



Architectural/Engineering Procurement

- Applicant issues a RFQ based on scope of work
- RFQ must be publicly advertised
- May choose to send RFQ to specific firms
- Statement of qualifications are evaluated
- Firms are ranked
- Discussions must be conducted with *no fewer than three* firms
- Cost can not be a factor when ranking firms

Contract Negotiations

- Contract negotiations held with the “most highly qualified” firm
- Negotiations process will establish a fair and reasonable price for services
- If an agreement cannot be negotiated with the most highly qualified firm, then discussions are started with the next “highly qualified” firm

QBS Certification

- Must attach the RFQ advertisement
- Must list all firms that responded
 - If less than 3 firms must describe efforts taken to solicit
- Certification Form will be submitted with the Part III application.
- Form is still required if QBS does not apply

QBS Certification Document

QBS Certification Form

Procurement of Architectural and Engineering Services

Project Name: _____

SRF Project Number: _____

Per Section 602(b)(14) of the Federal Water Pollution Control Act (FWPCA), all architectural/engineering contracts executed after October 1, 2014, must publicly announce all requirements for architectural and engineering services for State Revolving Fund projects and negotiate contracts for those services using the Qualifications-Based Selection process. **Attach the Request for Qualifications advertisement.**

Please list the firms that responded to the Request for Qualifications.

Select one of the following:

- ☐ I certify to the best of my knowledge that the above referenced project complies with the requirements of Section 602(b)(14) of FWPCA.

If fewer than three firms responded to the Request for Qualifications, describe the efforts taken to publicly advertise and directly solicit participation:

- ☐ Compliance with Section 602(b)(14) of FWPCA is not required as all architectural and engineering work was performed in-house, or for the reasons listed below:

Name and Title of Authorized Representative (*Please Print or Type*)

Signature of Authorized Representative

Date

2/2015



Fiscal Sustainability Plans

- Applies to all projects that include repair, replacement, or expansion
- Does NOT apply to NPS or construction of new treatment works projects
- SRF projects with project plans submitted after Oct. 1, 2014 must comply
- Applicants must self-certify they are complying or are exempt
- Not required to be a stand-alone document, info can be located in various documents and/or databases.

FSP Certification Document

Fiscal Sustainability Plan Certification Form

Describe SRF Project to be Funded: OR SRF Project Number _____

Check one box below:

- ☐ FSP does not apply because:
- ☐ The project is for a new treatment works system.
 - ☐ The project involves an upgrade that does not involve repair/replacement or expansion of a treatment works system.
 - ☐ The project is for nonpoint source work.
 - ☐ Other (explain)

- ☐ FSP is complete for the SRF-funded project and is available for review by contacting:

(Name)
(Phone)

I certify that _____, has developed and implemented a plan that meets the requirements of Section 603(d)(1)(E)(i) of the Water Resources Reform and Development Act of 2014. The FSP includes an inventory of critical assets, an evaluation of the condition and performance of inventoried assets, a plan for maintaining, repairing, and as necessary, replacing the treatment works, and a plan for funding such activities. The applicant also certifies that the water and energy conservation efforts have been evaluated and will be implemented.

Name and Title of Authorized Representative (Please Print or Type)

Signature of Authorized Representative _____ Date _____

2/2015



FSP Minimum Requirements

- Can be project based
- Inventory of critical assets
- Evaluation of the condition and performance of inventoried assets
- Financial plan for maintaining, repairing/replacing assets
- Certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan

Energy & Water Efficiency

- Applicants certify they have evaluated and are implementing water and energy efficiency initiatives as part of the FSP
- Both energy assessments and audits are eligible for funding under SRF



FSP Energy and Water Conservation Tools

- A number of organizations can help utilities with these activities
 - State Energy Offices
 - Electric utilities serving wastewater utilities
 - Department of Energy Industrial Assessment Centers
- MDEQ Retired Engineer Technical Assistance Program (RETAP)

http://www.michigan.gov/deq/0,4561-135-70153_70155_3585_4848-11899--,00.html



FSP Energy and Water Conservation Tools

- **EPA's Energy Use Assessment Tool**

http://water.epa.gov/infrastructure/sustain/energy_use.cfm

- **EPA's WaterSense Program**

<http://www.epa.gov/watersense>

- **EPA's Water Conservation Plan Guidelines**

<http://epa.gov/watersense/pubs/guide.html>



Loan Terms and Rates

- 20 *and* 30 year loans
- Interest rates for loans may differ
- Dependent on **Useful Life** of project assets
- Only disadvantaged communities eligible for 30 year loan (similar to DWRF)



Useful Life

- Determination is completed by the engineer and included in the project plan
- May use weighted average
 - For projects involving a variety of components
 - Equipment with varying useful life estimates
- Average must not be less than 20 years
- Average must be at least 30 years for 30 year loan

Weighted Useful Life

The total of all calculated life values (each asset's dollar value times (x) its estimated useful life) divided by the total of all the estimated project dollars spent on those assets:

weighted useful life =
total of life values/total estimated dollars spent on assets

Weighted Useful Life =

total of life values/total estimated dollars spent on assets

Asset	Useful Life	Asset Dollar Value	Calculated Life Value
Asset 1	15	\$10,000	150,000
Asset 2	20	\$20,000	400,000
Asset 3	25	\$20,000	500,000
Total		\$50,000	1,050,000

Weighted Useful Life = $1,050,000 / \$50,000 = 21$ yrs

Affordability Criteria

- Must be established and based on:
 - Income
 - Unemployment
 - Population trends
 - Other data determined relevant by the State
- Michigan has Disadvantaged Community criteria established
 - Includes above criteria
 - Available for public review this summer
 - Accept comments through the SRF public hearing



Stay in the Know

- Updated Guidance and Documents
- GovDelivery

www.Michigan.gov/drinkingwaterrevolvingfund

www.Michigan.gov/cleanwaterrevolvingfund

Michigan Department of Environmental Quality
Revolving Loan Section

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Questions/Comments

